



**Washington State
Public Works Board**
Post Office Box 42525
Olympia, Washington 98504-2525

PUBLIC WORKS BOARD MEETING NOTES

March 5, 2012

Department of Commerce (Olympia, WA)

Board Members Present:	Board Members Absent:	Staff Members:	
Stan Finkelstein – Chair Frank Abart Jerry Cummins Kathryn Gardow – Vice Chair Ed Hildreth Don Montfort Doug Quinn Darwin Smith Larry Waters	Tom Fitzsimmons Larry Guenther Steve Stuart	John LaRocque, Executive Director	
		Myra Baldini Ann Campbell Cindy Chavez Steve Dunk Janea Eddy Dawn Eychaner	Christina Gagnon Cecilia Gardener Jeff Hinckle Isaac Huang Matt Ojennus

Guests Present:

- Chad Coles,
Spokane County
- Rodney Orr,
Dept. of Commerce
- Jacki Skaugt,
Dept. of Commerce
- Karen Larkin,
Dept. of Commerce
- Cathi Read,
Dept. of Commerce
- Eric Tompkins,
Dept. of Commerce
- Laura Lowe,
Dept. of Commerce
- Kaaren Roe,
Dept. of Commerce

1. ADMINISTRATION

- Call to Order: Stan Finkelstein called the meeting to order at 8:38 a.m.
- Introductions of Board, Staff, Guests, and Visitors.
- Approve the Agenda: Board Member Ed Hildreth moved to approve the agenda as presented. Board Member Doug Quinn seconded the motion. Board Member Jerry Cummins moved to amend the agenda to add a discussion regarding the calendar to Item 6: Information and Other Items. Board Member Larry Waters seconded the motion. **ACTION: Motion Approved 7-0.** (Voting Yes: Abart, Cummins, Hildreth, Montfort, Quinn, Smith, and Waters. Voting No: none.)
- Membership Update: Janea Eddy asked Member Quinn to update the Board on his Board membership status. Member Quinn informed the Board that Clark County Public Utility District will not maintain its membership with the Public Utility District of Washington (PUD). Therefore, Member Quinn is no longer eligible to serve as the PUD representative. He will be resigning his position. The PUD Association is soliciting applications to fill the position. Member Quinn is unsure when a new PUD representative will be appointed. He will serve until the Governor appoints a new representative. Chair Finkelstein complimented Member Quinn on his incredible service. Executive Director (ED) John LaRocque clarified that the Governor's Office has stated that no Board appointments will be made until after the Legislative Session has ended.
- February 6, 2012, Meeting Minutes: Member Cummins moved to approve the February 6, 2012, meeting minutes. Member Hildreth seconded the motion. **ACTION: Motion Approved 7-0.** (Voting Yes: Abart, Cummins, Hildreth, Montfort, Quinn, Smith, and Waters. Voting No: none.)

2. CONTRACTING

- a) Consent Agenda: Laura Lowe, Managing Director (MD) of the Contracts Administration Unit, presented the Consent agenda on page 13 in the meeting packet. MD Lowe identified to the Board that Cecilia Gardener distributed a revised list of projects that corrects the close out date for the City of Camas' loan PC08-951-007 to March 7, 2012. Thank you to Board Member Waters for identifying the discrepancy in the initial meeting packet. Board Member Don Montfort asked that the Camas' project be removed from the Consent Agenda for further discussion. Member Quinn moved that the Consent Agenda, sans Camas' loan PC08-951-007, be approved. Board Member Darwin Smith recused himself from the vote due to being the General Manager for the Lake Stevens Sewer District, which is on the list asking for an extension. Member Montfort seconded the motion. **ACTION: Motion Approved 6-0-1.** (Voting Yes: Abart, Cummins, Hildreth, Montfort, Quinn, and Waters. Voting No: none. Recused: Darwin Smith)

Member Montfort asked for clarification surrounding the reasons for the City of Camas' (City) extension request. MD Lowe explained that the City's project is phased. A portion of the loan is being used to fund a portion of the second phase. The City is going to bid this spring. Extending the project completion date allows for sufficient time to complete the portion of the second phase that is being paid for by a portion of the PC08-951-007 loan. Member Waters moved to extend the closeout date for loan PC08-951-007 to April 1, 2014. Member Cummins seconded the motion.

ACTION: Motion Approved 8-0. (Voting Yes: Abart, Cummins, Gardow, Hildreth, Montfort, Quinn, Smith, and Waters. Voting No: none.)

- b) Spokane County Loan Extension: Stephen Dunk, Client Services Representative, introduced Chad Coles, Assistant County Engineer for Spokane County, who presented an update on the Bigelow Gulch/Forker Road Corridor Project. See the meeting packet for the PowerPoint slide presentation. Chair Finkelstein asked Mr. Coles for the original timeline prior to construction commencing and the currently revised total project cost. Mr. Coles stated that at the start of the project, 1998, it was anticipated to be five years prior to construction. The total project cost went from \$35 million to \$65 million. Chair Finkelstein asked after the 80% increase. Mr. Cole spoke of the dramatic increase in construction materials cost that occurred in the 2000s and engineering changes, including the addition of a half interchange, that caused the uptick in costs. Member Montfort outlined the Board's request of the Legislature to access preconstruction funds. He asked Mr. Coles if preconstruction money would have been of benefit to Spokane County (County) during the permitting phase of this project. Mr. Coles answered in the affirmative. Vice Chair Gardow asked if the County's current project timeframe is realistic in light of pending court proceedings. Mr. Coles acknowledged that the timeframe is aggressive; it does not incorporate a court-related delay. Mr. Coles noted that if the County loses its legal fight on appeal, then the project, as it stands, is finished. He explained that the County would need to start from the beginning in order to make the project happen, noting that there are no current injunctions on construction. Vice Chair Gardow then asked if the County would seek additional funds from the Public Works Board. Mr. Coles replied that, once the Right of Way for the project is secured, then yes, the County would seek additional funds to fill in the existing funding gaps. Mr. Coles noted that the County would limit the scope on any new funding requests. Chair Finkelstein asked the potential source of other project funds. Mr. Coles stated that the County would seek funding from the federal government, Freight Mobility Strategic Investment Board (FMSIB), the Transportation Improvement Board (TIB), and its own capital funds. Member Cummins inquired after any other litigation. Mr. Coles responded that there is no pending litigation to his knowledge. Mr. Coles acknowledged that the County may have to condemn some properties in the project area in order to obtain the right of way necessary. Member Cummins sought the end date to existing litigation. Mr. Coles replied that he is unsure when the litigation will end. Member Quinn sought information as to whether or not the proposed change would have adversely impacted the County's score, which gained them the loan. Executive Director (ED) John LaRocque clarified that the County's project met the application parameters and that the change would not have influenced the score. Vice Chair Gardow asked ED LaRocque about the legislative process necessary to implement the proposed change. ED LaRocque provided historical perspective on the administrative change from having broad scopes of work in

the funding bill to having explicit scopes of work and back again, explaining that the scope change will be part of the budget as a technical fix that will be brought forward in the 2013 Legislative Session. ED LaRocque went on to say that the \$5 million not being used is considered a deobligation of funds and would be rolled back into the Public Works Assistance Account (PWAA) for use during the next round of funding. Member Hildreth asked if there is anything else that may hinder the project's progression. Mr. Coles responded that, to his knowledge, there are no items remaining that would slow the project. Member Montfort moved to approve the scope of work of loan PW-05-691-057. Vice Chair Gardow seconded the motion. **ACTION: Motion Approved 8-0.** (Voting Yes: Abart, Cummins, Gardow, Hildreth, Montfort, Quinn, Smith, and Waters. Voting No: none.)

- c) PWTF Pre-Construction Term Conversion Policy: Ann Campbell identified the recent increase in requests of the Board to waive portions of its 5 to 20 Year PreConstruction Term change policy as the reason for staff reviewing the efficacy of the current policy. Ms. Campbell framed this review noting the lack of Pre-Construction funds during the last two biennia, the Board's eighteen-month temporary change to the policy wherein borrowers had the opportunity to request a term change prior to obtaining full construction funds, and updated technology. Ms. Campbell outlined the policy proposal on page 35 in the meeting packet. Ms. Campbell explained that the current policy requires Board clients to request conversion of their pre-construction loans from a five-year repayment term to a 20-year repayment term before the loan's first principal payment is made, and after 100% of the project funding has been secured. Ms. Campbell noted that the requirement for the request to be made prior to the first principal payment existed solely because the Board's prior database could not make the necessary changes to the accounts after the first principal payment on the loan was received and that this is no longer an issue. Ms. Campbell explained that the requirement for 100% funding being secured was originally set as the mechanism by which the Board could be certain that the project would be built, explaining this percentage dropped to 30% from July 2009 through June 2011, due to a downturn in the economy.

Ms. Campbell outlined that the Board has 40 existing pre-construction loans with 5-year terms; with 14 of these having one repayment remaining. Ms. Campbell advised the Board that staff has analyzed the fiscal impact of the Board adopting this policy change and determined that there would be no material change to the PWAA should the Board adopt the policy change. Vice Chair Gardow expressed concern with lowering the secured funding percentage to 30%, suggesting increasing the percentage to 50. Vice Chair Gardow asked if eligible clients would be contacted if the policy change is adopted. Ms. Campbell affirmed that Board staff intended to contact all eligible clients. Member Montfort asked how staff arrived at the 30% amount. ED LaRocque harkened to the Board's temporary policy amendment in 2009 when the Board chose 30% as a reasonable amount to indicate eventual project construction. Member Smith spoke to the difficulty of putting together local financing packages and how significant the pre-construction term is to impacting local rates. He expressed his support for the policy change. Member Waters asked if staff knew of any projects that have reached the 30% mark and the project has failed anyway. ED LaRocque explained that none of the 26 eligible clients have contacted staff stating that the projects would not move forward. Member Quinn echoed Member Smith's comments and asked if, after receiving a term conversion to 20-years, a client failed to secure full funding, would the client be required to repay the pre-construction loan in five years. ED LaRocque replied in the negative. Member Hildreth asked about moving the percentage to 50 as suggested by Vice Chair Gardow. ED LaRocque clarified that none of the current pool is like to have 50% of their funding in place. Member Smith explained the significant cost impact, in the form of cash flow restrictions, to local constituencies as the percentage requirement increases. Vice Chair Gardow asked if the Board would have problems if a project is not constructed, but the repayment term is 20 years. ED LaRocque reassured the Board that there would be no audit issues arising from adoption and implementation of this policy change. Member Smith pointed out that, in the worst case scenario, pre-construction money would at least accomplish engineering, which the locals could revisit and reuse if the project was shelved, so the loan would not be a total loss. He further noted that the mere act of seeking pre-construction funds indicates that the project is a high-priority for the jurisdiction. Member Smith moved to

approve the policy change outlined on page 35 of the meeting packet. Member Cummins seconded the motion. **ACTION: Motion Approved 8-0.** (Voting Yes: Abart, Cummins, Gardow, Hildreth, Montfort, Quinn, Smith, and Waters. Voting No: none.)

- d) Ms. Campbell explained to the Board that item 2d Port Ludlow Term Conversion is no longer necessary as the newly adopted policy change makes the District eligible to convert their pre-construction loan term to a 20-year period. Member Quinn moved to remove item 2d Port Ludlow Drainage District Loan Term Change Request from the meeting agenda. Member Waters seconded the motion. **ACTION: Motion Approved 8-0.** (Voting Yes: Abart, Cummins, Gardow, Hildreth, Montfort, Quinn, Smith, and Waters. Voting No: none.)
- e) PWTF 2014 Interest Rate Reduction Criteria: Myra Baldini presented the staff recommendation on page 41 of the meeting packet. Member Waters moved to approve the 2014 PWTF Interest Rate Reduction Criteria as outlined on page 37 in the meeting packet. Member Waters moved to approve the PWTF 2014 Interest Rate Reduction Criteria as presented. Member Smith seconded the motion. **ACTION: Motion Approved 8-0.** (Voting Yes: Abart, Cummins, Gardow, Hildreth, Montfort, Quinn, Smith, and Waters. Voting No: none.)
- f) DWSRF 2011 Contract Status Update (written report). ED LaRocque advised the Board that the DWSRF cycle closed on March 1 with approximately \$150 million in requests, which is three to four times the amount of funding that has typically been requested in the past.

3. LEGISLATIVE UPDATES

- a) Legislative Update: ED LaRocque briefed the Board on the status of various legislative proposals:
 - House Capital Budget proposal takes \$17 million from the PWAA for debt service
 - 2013 Loan list has been reduced to \$152 million due to projects being included on the Department of Ecology's funding list.
 - \$15 million from the PWAA for the Community Economic Revitalization Board (CERB)
 - \$5 million for the Investment Grade Efficiency Audit (IGEA) program.ED LaRocque took a moment to extol the hard work and dedication of Stephen Dunk in creating the IGEA program. Mr. Dunk has worked diligently with the energy professionals at the Department of Enterprise Services and with various private sector energy companies. These companies are willing to commit a fair amount of money if the state comes forward with funds.
 - The budget, in general, contains a number of energy efficiency programs, including IGEA.
 - Senate Operating Budget proposal does not allow any money for bond bills.
 - Senate Capital Budget proposal moves \$35 million, revenue from the solid waste/recycling tax, to the General Fund to pay \$17 million annually for bond debt service. The proposed Senate Capital Budget also contains:
 - \$152 million for 2013 Loan list
 - \$10 million for a competitive grant program: "Main Street"
 - \$18 million for direct appropriations
 - An additional Special Session seems likely to start on or around March 12, and could last 30 days.
 - The Board's policy bill was introduced late in the session and has not been heard in committee by either the House or the Senate. Staff has asked the capital committees to allow the Board to produce a list of non-traditional projects using the term "may."

ED LaRocque noted that the large number of applicants for the 2012 Drinking Water State Revolving Fund (DWSRF) application cycle could impact the Board's 2014 PWTF Construction applicant pool. He went on to say that the budgets have a lot of moving parts and nothing is certain until the Legislature adjourns. He restated the Board's role of working within the Governor's proposal framework and its aspects.

Karen Larkin, Assistant Director, provided the Board with the Department of Commerce's perspective on the proposed budgets.

Chair Finkelstein shared his perspective on the recent legislative activity.

Member Montfort commented on the introduction of SB6616, which proposes permanent re-direction of the solid waste tax from the PWAA. Member Montfort said that it is a tribute to the program that the \$35 million per year (anticipated revenue from the tax stream) does not significantly impact the Board's ability to deliver services. Member Montfort asked for clarification as to why the Board should pursue the Accelerated Loan Commitment Model (ALCM) if the Departments of Ecology and Health are accelerating their funds as well. ED LaRocque replied that the Board could decrease the ALCM as needed. He noted that operating using only the cash available is still an option available to the Board.

4. PROGRAM UPDATES

ED LaRocque recommended that the Board re-arrange the agenda to have item 4a presented after items 4b and 4c. The Board agreed to this re-arrangement.

- b) 2014 PWTF Contract Boilerplate: Jeff Hinckle presented the revised 2014 PWTF Contract boilerplate to the Board. Mr. Hinckle noted that he approached the boilerplate with the goal of presenting a more streamlined, accessible version of the existing contractual language. Mr. Hinckle outlined how he replaced variables from the contract with identifying names and housed those extracted variables on a new cover sheet, the Declarations Page, which will be the front page of each contract. Mr. Hinckle explained that in light of the Board's adopted policy removing a minimum local match, all references to local match have been eliminated from the boilerplate. Mr. Hinckle advised the Board that the proposed boilerplate has been reviewed by staff, Department of Commerce's Contract Manager, John Toohey, and is currently under review by the Attorney General's Office. ED LaRocque pointed out that this is another example of the Board's Modernization efforts over the last year, which has led staff to begin reviewing every level of the Board's business for areas of improvement. Vice Chair Gardow asked that the type of project be added to the page. Mr. Hinckle replied in the affirmative. Member Montfort praised Mr. Hinckle for his work. He then asked if, in light of the mandate to have consistency across agencies, it would be possible for other agencies to adopt this model. ED LaRocque shared that staff will apply this framework to the DWSRF contracts to standardize contract look and feel. Member Smith stated that the new format will make his life as a manager easier. Member Smith moved to adopt the 2014 PWTF Boilerplate as presented. Member Abart seconded the motion. **ACTION: Motion Approved 8-0.** (Voting Yes: Abart, Cummins, Gardow, Hildreth, Montfort, Quinn, Smith, and Waters. Voting No: none.)
- c) 2014 PWTF Construction Loan Amount Parameters. Ms. Campbell outlined the memo on page 91 in the meeting packet, which does not include a staff recommendation. ED LaRocque pointed out that there are many unknowns including the possibility of large amounts of grant funding being added to water and sewer projects through jobs bills. Chair Finkelstein asked if it was tenable to table this decision until the Board's policy retreat in May. ED LaRocque stated that leaving this unanswered is a bit problematic because applicants want to know when formulating their application and the application closes in May. Chair Finkelstein proposed a cap of \$10 million per applicant per year. Chair Finkelstein expressed concern that changing the cap to apply to the system rather than the applicant may limit fund access by smaller jurisdictions if larger entities are receiving a great deal of assistance for a number of systems. He added to the considerations the fact that the PWAA imposes fewer restrictions on borrowers than does the bond market. Member Montfort proposed leaving the loan cap open ended due to the amount of money available. He suggested that the Board might then look at the applicant pool to decide how to fund. He offered up another possibility: the Board could fund all small jurisdictions then go on to larger jurisdictions. Member Montfort noted that DWSRF's loan cap increased to \$12 million and that the Board could adopt the same cap. He identified his preference is to solicit applications requesting however much the applicant needs to do their project with full disclosure that they may only get a portion. Member

Abart pointed out that the \$10 million cap has been in place for 10 years; construction costs have increased during that time and suggested a \$15 million cap as an option. Member Cummins shared that he and Member Hildreth spoke with the Association of Washington Cities and that there is concern that there are challenges for smaller jurisdictions to compete for funding. Member Smith spoke to the importance for locals to have a predictable cap when assembling financing packages. He expressed concern with the uncertainty that comes with no cap, promoting irresponsible risk at local level due to an anticipated big payoff. Member Smith advocated for raising the cap because projects are bigger and more expensive, particularly for smaller towns building new treatment plants. Furthermore, Member Smith noted his support for a larger cap limited by applicant rather than by system. Chair Finkelstein expressed his discomfort with having no cap, explaining that doing so, when the state is near its bond cap may send the wrong message that the Board has too much so it would be okay to redirect funds away from the Board. Member Waters shared concerns with Member Smith that no loan cap makes it difficult to structure an application. Member Montfort identified that this funding cycle is unique in that the Board has changed its funding policy to try to fund all viable projects. ED LaRocque elaborated that the Board is engaging in a new model of business. He stated that under this new model, the Board can look at the initial request from a jurisdiction and either meet the request, or counter with a different loan amount, different terms, or a combination of both. Vice Chair Gardow moved to set the loan cap at \$15 million per year, per system, reserving the right to revisit the cap dependent upon loan demand. Ed Hildreth seconded the motion. **ACTION: Motion Approved 8-0.** (Voting Yes: Abart, Cummins, Gardow, Hildreth, Montfort, Quinn, Smith, and Waters. Voting No: none.)

LUNCH BREAK

- a) PWTF Proposed New Application Process: Ann Campbell and Dawn Eychaner presented the new application process powerpoint. Member Cummins moved to approve the package of the new process, including the creation of an adhoc Board subcommittee consisting of Don Montfort, Ed Hildreth, Larry Guenther, and Tom Fitzsimmons. Member Hildreth seconded the motion. **ACTION: Motion Approved 8-0.** (Voting Yes: Abart, Cummins, Gardow, Hildreth, Montfort, Quinn, Smith, and Waters. Voting No: none.)

5. FINANCIAL

- a) Update PWAA Fund: Myra Baldini provided the Board with a handout outlining impacts to the PWAA based on the proposed House and Senate budgets.

6. INFORMATION AND OTHER ITEMS

Calendar discussion: ED LaRocque proposed the Board hold a two-day policy retreat in conjunction with the May Board meeting: May 3rd and 4th. Board members indicated their agreement to the proposal.

Member Water moved to adjourn. Vice Chair Gardow seconded the motion. **ACTION: Motion Approved 8-0.** (Voting Yes: Abart, Cummins, Gardow, Hildreth, Montfort, Quinn, Smith, and Waters. Voting No: none.)

Meeting adjourned at 1:43 p.m.